

A Forrester Total Economic Impact™ Study
Commissioned By SAP SuccessFactors
January 2019

The Total Economic Impact™ Of SAP SuccessFactors HCM Suite For Medium- Sized Businesses

Cost Savings And Business Benefits Enabled By
SAP SuccessFactors HCM Solutions

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Executive Summary

The SAP SuccessFactors HCM (human capital management) suite of solutions includes cloud-based human resources software that integrates to create a complete HCM system. It helps streamline HR processes, improve recruitment and retention, train and reskill the workforce, and take advantage of technologies such as AI and machine learning.

The SAP SuccessFactors HCM Suite includes the following solutions: Core Human Resources and Payroll, Time and Attendance management, Learning and Development, Performance and Compensation, Recruiting and Onboarding, and Workforce Planning and Analytics.

SAP SuccessFactors commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and objectively examine the potential return on investment (ROI) medium-sized customers may realize by deploying its SAP SuccessFactors HCM solutions. The purpose of this study is to provide readers and prospects with a framework to evaluate the potential financial impact of the SAP SuccessFactors HCM solutions on their organizations.

As Forrester Consulting continues to create Total Economic Impact (TEI) case studies for SAP SuccessFactors, we have adapted our approach to more accurately reflect the wide range of SAP SuccessFactors partner implementation fees in the global marketplace. We believe that supplying the TEI case study reader with a range of partner implementation fees allows for more transparency and visibility into the costs of a SAP SuccessFactors implementation, giving readers an opportunity to make the best and most accurate assessment for their business.

To better understand the benefits, costs, and risks associated with this investment, Forrester conducted in-depth interviews with four medium-size customers, each with between one and 10 years of experience using various solution components of SAP SuccessFactors HCM. For this TEI study, Forrester has created a medium-sized composite *Organization* to illustrate the quantifiable benefits and costs of a medium-sized customer investing in SAP SuccessFactors HCM. Based on characteristics of the interviewed customers, the composite *Organization* is a medium-sized enterprise in the products and services business. It has operations in one country and has 1,200 employees. It has been using SAP SuccessFactors HCM for three years to integrate its people-related business process activities. It started with the following solutions in Year 1 (ramp year for benefits): Employee Central and Payroll, Recruiting and Onboarding, and Performance, Goals and Compensation. In Year 2 it rolled-out the Learning, Succession and Development solutions. For more information, see the section titled The Composite *Organization*.

Key Findings

Quantified benefits. The composite medium-sized *Organization* experienced the risk-adjusted present value (PV) quantified benefits and cost savings of the following services totaling \$1,907,433 over a three-year period (see the Financial Analysis section for more details):

- › **Employee Central and Payroll:** \$402,397.
- › **Recruiting and Onboarding:** \$417,487.
- › **Performance, Goals, and Compensation:** \$462,756.

Selected Key Metrics



Total net headcount saved:
6 FTEs



Performance, Goals, and
Compensation savings:
\$462,756



Learning, Succession, and
Development benefits:
\$624,793

Total quantified benefits:
\$1.9 million
(risk- and PV-adjusted)



ROI range
113% to 42%



Benefits PV
\$1,907,433



NPV range
\$1,009,935 to
\$563,685



Payback range
14 to 21
months

› **Learning, Succession, and Development: \$624,793.**

Costs. The medium-sized *Organization* experienced the following costs (see the Financial Analysis section for more details):

- › **Internal labor to plan and deploy SAP SuccessFactors: \$55,000.**
- › **Incremental hardware, database and operating system license, and maintenance: \$0.** The medium-sized *Organization* incurred none of these costs with the SAP SuccessFactors cloud solution.
- › **SAP SuccessFactors subscription fees: \$394,692.**
- › **SAP Preferred Success fees: \$78,938.**
- › **Ongoing internal administrative and management labor for SAP SuccessFactors: \$405,000**
- › **Partner fees for professional services implementation assistance - variable (see table below for fee ranges).**

Interviewed customers reported a wide variety of professional services implementation fees from SAP partners including a myriad of support levels including: software installation in a cloud environment, post-installation support, configuration setup, data conversion, analysis and modeling, testing, and training. See the table below for a range of fees and programs, and associated ROI, payback period and NPV levels.

Readers of this study should research SAP SuccessFactors' partners' fees for their own deployments and determine the appropriate financial results based on the table below.

Partner Implementation Fees - Variable Programs And Ranges

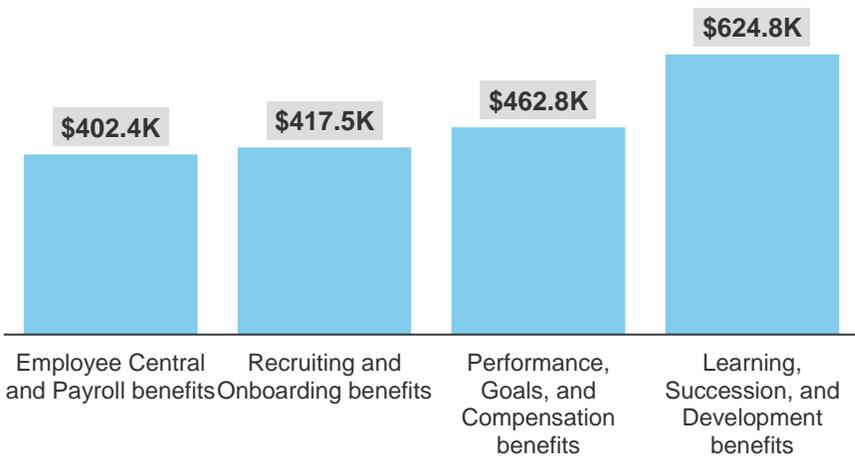
PARTNER IMPLEMENTATION FEES	PROGRAM	PAYROLL INCLUDED	RESULTING ROI	RESULTING PAYBACK	RESULTING NPV
\$75,000	Rapid package-deployment – single or few modules	No	113%	14 months	\$1,009,935
\$150,000	Rapid package-deployment – full suite	No	95%	15 months	\$931,185
\$300,000	Rapid package-deployment – full suite	Yes	68%	18 months	\$773,685
\$400,000	Standard implementation – full suite	Yes	54%	20 months	\$668,685
\$500,000	Business process transformation – full suite	Yes	42%	21 months	\$563,685

Based on Forrester's experience, the payback period and ROI numbers are strong when compared to other cloud implementations at medium-sized organizations.

In addition, Forrester interviewed three larger SAP SuccessFactors customers for a separate study, and we reported similar benefit and ROI results, indicating that as medium-sized organizations grow, they can expect to see similar results related to their use of SAP SuccessFactors.

The above ROI and payback results deliver a compelling business case for SAP SuccessFactors, which should raise confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those medium-sized organizations considering investing in SAP SuccessFactors HCM solutions.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that the SAP SuccessFactors HCM solutions can have on a medium-sized organization:



DUE DILIGENCE

Interviewed SAP SuccessFactors stakeholders to gather data relative to the SAP SuccessFactors HCM solutions.



CUSTOMER INTERVIEWS

Interviewed four medium-sized customers using various SAP SuccessFactors HCM products to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling the SAP SuccessFactors impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by SAP SuccessFactors and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in SAP SuccessFactors.

SAP SuccessFactors reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

SAP SuccessFactors provided the customer names for the interviews but did not participate in the interviews.

The SAP SuccessFactors Medium-Sized Customer Journey

BEFORE AND AFTER THE SAP SUCCESSFACTORS INVESTMENT

For this study, Forrester conducted interviews with four SAP SuccessFactors HCM medium-sized customers. Interviewed customers are described as follows (each requesting anonymity):

INDUSTRY	REGION	INTERVIEWEE	NUMBER OF ADMINS TO EMPLOYEES
Automotive services	Puerto Rico	Technology manager	1 to 400
Software implementations	USA	Chief customer officer	2 to 300
Financial services	Australia	Organization capability manager	4 to 750
Healthcare	Australia	Head, people and culture	2 to 2,500

In addition, Forrester interviewed three larger SAP SuccessFactors customers (see below) for a separate study, and we reported similar benefit and ROI results, indicating that as medium-sized organizations grow, they can expect to see similar results related to their use of SAP SuccessFactors.

INDUSTRY	REGION	INTERVIEWEE	NUMBER OF ADMINS TO EMPLOYEES
Transportation	Headquartered in Europe	Director of HR	3 to 4,000
Manufacturing	Headquartered in Europe	Group HR services director	2 to 3,000
Outsourcing provider	Headquartered in EMEA	Head of human resources	4 to 4,000

The Composite *Organization*

For this TEI study, Forrester created a composite medium-sized *Organization* to illustrate the quantifiable benefits and costs of investing in SAP SuccessFactors HCM. The composite *Organization* is a medium-sized enterprise in the products and services business. It has operations in one country and has 1,200 employees. It has been using SAP SuccessFactors HCM for three years to integrate its people-related business process activities. By rolling out SAP SuccessFactors HCM as its standard for HR, the medium-sized *Organization* is transforming the way it manages its people. Leaders now have access to real-time data on all employees, empowering them to make smarter strategic decisions to improve employee engagement, satisfaction, and performance — and drive business growth.

“We are very happy with SAP SuccessFactors solutions and the services provided. SAP SuccessFactors helped us create and accelerate unified processes, and a new positive company culture.”

*Technology manager,
automotive services*



Key Challenges And Pain Points Specific To Medium-Sized Enterprises

The composite medium-sized *Organization* shared similar issues and challenges as the four interviewed customers:

- › The *Organization* did not have a fully staffed human resources organization; not all HR functions were adequately staffed.
- › Fewer staff meant more experienced (more expensive) senior staff were needed to ensure all high-level important tasks were accomplished. (There's not a lot of room for entry-level clerical staff in medium-sized businesses.)
- › A myriad of HR-related systems and/or spreadsheets not connected meant no single source of truth.
- › The organization's manual, paper-based processes hampered efficiency and productivity.
- › The *Organization* struggled to keep up with regional compliance and regulatory issues such as GDPR.
- › The organization struggled to grow the business (recruiting, learning, and development).
- › Limited transparency into open roles within the company slowed down internal and external recruitment.
- › There was a higher risk of human error on employee data.
- › There were high attrition levels and recruitment spend, due to inefficient processes and disparate systems.

Key Business Goals And Objectives

After an extensive review process evaluating several vendors, the medium-sized *Organization* selected SAP SuccessFactors, as it believed it could satisfy the following business goals and objectives in the following categories:

Strategy enablement:

- › Gain real-time visibility and insights across the workforce, with a single employee record.
- › Design and manage an agile organizational structure for successful execution.
- › Accommodate future growth and expansion across multiple locations.
- › Have an internal talent search capability to identify ready successors, enabling pool-based succession planning.

People experience:

- › Provide a way to engage employees with a single consistent experience for the entire workforce.
- › Stimulate continuous dialogue and feedback between managers and employees to help them have more structured conversations about how to align and improve performance.

Operations optimization:

- › Streamline and automate disparate business processes.

"For the first time, leaders have access to real-time employee data, enabling them to make more-informed performance, development, and compensation decisions."

Chief customer office, software implementation company



- › Streamline its hiring process with a centrally managed hiring process.
- › Have a central overview of high-quality employee data, i.e., having a single source of truth for all HCM processes including compensation.
- › Planning, registering for, and managing different types of learning (OTJ, classroom, eLearning, SOPs, GxP, etc.).

Risk management and compliance:

- › Certification tracking for regulatory and compliance purposes.
- › To track employee qualifications and certifications for purposes of adhering to and complying with regulatory bodies such as: FDA compliance, SOX (Sarbanes-Oxley Act), OSHA compliance (Occupational Safety and Health Administration), AGG (General Equal Treatment Act), or GMP regulations (Good Manufacturing Practice).

Forrester's View: Value Of Cloud Adoption For Medium-Sized Businesses

- › By a wide margin, security solutions top the list of cloud solutions at medium-sized enterprises.
- › Medium-sized enterprises' adoption of cloud infrastructure-as-a-service and platform-as-a-service lags that of other cloud technology categories (software-as-a-service [SaaS], "security-as-a-service," "network management-as-a-service").
- › Medium-sized enterprises are currently deploying cloud SaaS solutions largely in the form of managed services.
- › In the midmarket, time-to-market (TTM) and total cost of ownership (TCO) are top priorities — which means cloud offerings dominate.
- › SaaS HCM is helping medium-sized enterprises reduce their need for point solutions. As SaaS HCM continues to expand into recruiting, onboarding, time and attendance, learning, and employee engagement, medium-sized enterprises are finding that they can reduce the number of point solutions and manual processes in favor of one integrated solution.

Key Results

While some HR solutions require a "rip and replace" approach to implementation, interviewed medium-sized customers commented on the flexibility of SAP SuccessFactors to deploy functionality on an as-needed basis. SAP SuccessFactors helped each interviewed customer pick the right starting point and path for implementation based on business needs, and implementation timing was aligned with business strategies and goals. (Specific financial benefit details are available in the Financial Analysis section.)

The customer interviews revealed high-level and beneficial functionality attributed to their investments in SAP SuccessFactors's products listed below:

- › Standardized HR processes across the company, enabling the achievement of strategy alignment and execution and establishing a single source of truth.
- › Replaced disparate benefits management systems.

- › Provided access to real-time data, allowing leaders to manage virtual teams across buildings, enabling improved communication and collaboration.
- › Introduced employee self-service, enabling staff to manage their personal details and check their benefits.
- › Digitized and automated processes; and freed staff members from repetitive manual tasks, allowing them to focus on value-add activities.

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Employee Central and Payroll benefits	\$99,000	\$198,000	\$198,000	\$495,000	\$402,397
Btr	Recruiting and Onboarding benefits	\$102,713	\$205,425	\$205,425	\$513,563	\$417,487
Ctr	Performance, Goals, and Compensation benefits	\$113,850	\$227,700	\$227,700	\$569,250	\$462,756
Dtr	Learning, Succession, and Development benefits	\$0	\$396,000	\$396,000	\$792,000	\$624,793
Total benefits (risk-adjusted)		\$315,563	\$1,027,125	\$1,027,125	\$2,369,813	\$1,907,433

Based on Forrester's experience, the payback period and ROI numbers are strong when compared to other medium-sized cloud implementations. In addition, the interviewed customers that migrated from SAP HCM on-premises software to SAP SuccessFactors cloud solution had better benefit results.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the medium-sized *Organization* expects risk-adjusted total benefits to be a PV of more than \$1.9 million.

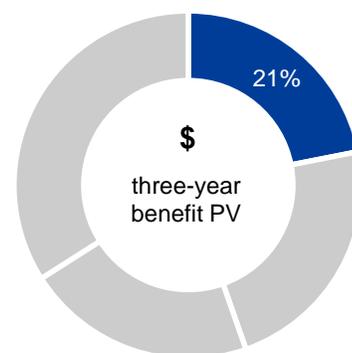
Employee Central And Payroll Benefits

According to the interviewed medium-sized customers, the SAP SuccessFactors Employee Central and Payroll solution offers the following benefits:

- › Easy-to-use solution provides intuitive self-services for managers and employees for benefits administration.
- › "Mobile first" strategy to increase employee engagement.
- › Increased efficiency of transactional services.
- › Real-time data, and a single source of truth.
- › Employee Central and Payroll software is enabled for GDPR compliance.
- › Employees are allowed to take ownership of basic and strategic day-to-day tasks.
- › The enablement of HR as a strategic partner of the business, by centralizing focus on solution delivery to employees.

The implementation of SAP SuccessFactors's Employee Central and Payroll solution resulted in time, effort, and labor (full-time equivalent, or FTE) savings in the following areas and tasks, when compared to its previous human resources environment.

Modeling and assumptions. Based on customer interviews, and the implementation of the above features, functionality, and benefits, our medium-sized *Organization* will save:



Employee Central and Payroll benefits — 21% of total benefits

- › One FTE annually (HR staff) — only one-half FTE in Year 1 due to change management processes and learning and adoption curves.
- › One FTE annually (payroll staff) — only one-half FTE in Year 1 due to change management processes and learning and adoption curves.
- › The average fully loaded annual cost of a senior HR staff is \$110,000 (or \$55.00 per hour). Medium-sized businesses require more experienced (more expensive) senior staff to ensure all the high-level important tasks are accomplished. (There's not a lot of room for entry-level clerical staff in medium-sized businesses.)

Risks. Forrester considered the following potential risks when assigning a risk adjustment. The labor savings have been risk-adjusted (reduced) by 10% in the table below because some interviewed customers were not taking advantage of all the functionality. Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$402,397.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Employee Central And Payroll Benefits: Calculation Table

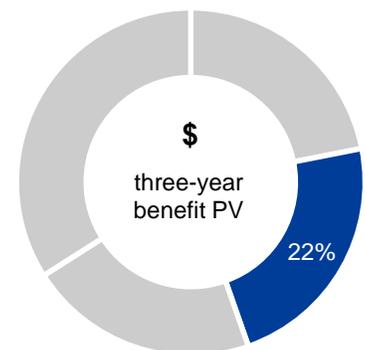
REF.	METRIC	CALC./SOURCE	YEAR 1*	YEAR 2	YEAR 3
A1	Labor savings, human resources staff	FTE	0.5	1.0	1.0
A2	Labor savings, payroll staff	FTE	0.5	1.0	1.0
A3	Average fully loaded cost of senior staff	Interviews	\$110,000	\$110,000	\$110,000
At	Employee Central and Payroll benefits	(A1+A2)*A3	\$110,000	\$220,000	\$220,000
	Risk adjustment	↓10%			
Atr	Employee Central and Payroll benefits (risk-adjusted)	At-10%	\$99,000	\$198,000	\$198,000

Note: * Year 1 is a ramp year for benefits.

Recruiting And Onboarding Benefits

According to the interviewed customers, the SAP SuccessFactors Recruiting and Onboarding solution offers the following benefits:

- › SAP SuccessFactors allowed internal recruiters to spend less time on administrative tasks and more time headhunting and attracting the best candidates.
- › The ability to post jobs internally or externally to preferred recruitment agencies and job boards.
- › Boolean database searches can be applied to internal candidate databases saving recruiters time and effort.
- › The efficient coding of candidates to show internal referrals, agency submissions, and external candidates.
- › Improved two-way communication with candidates via automatic emails.
- › Compliant pre-onboarding platform to collect signed contracts and employee information, as well as give new employees access to their onboarding plan.



Recruiting and Onboarding benefits — 22% of total benefits

According to the interviewed medium-sized customers, the implementation of the SAP SuccessFactors Recruiting and Onboarding solution helps them source, engage, and hire better talent. This solution ensures intelligent guidance for the entirety of the onboarding life cycle — from sourcing and candidate experience to applicant and offer management.

The benefits include time, effort, and labor (FTE) savings compared to the previous 100% manual, nonintegrated recruiting process. One customer reported faster time-to-hire for revenue-generating employees, although they could not quantify the benefit.

Modeling and assumptions. The medium-sized *Organization* phased in Recruiting and Onboarding in the second half of Year 1 when it recruited 240 candidates with a goal of hiring 79 new employees. Once ramped up, in years 2 and 3, it will recruit 480 candidates each year with a goal of hiring 158 new employees. With the SAP SuccessFactors Recruiting and Onboarding solution, recruiters are saving 7 hours of time and effort per candidate during the interview cycle, and HR staff are saving 5 hours for the employee onboarding cycle.

Risks. To be conservative, the labor savings have been risk-adjusted (reduced) by 10% in the table below to reflect variations in how long it may take to redeploy the saved recruiting and onboarding hours to other tasks or positions in the medium-sized *Organization*.

Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$417,487.

Recruiting And Onboarding Benefits: Calculation Table

REF.	METRIC	CALC./SOURCE	YEAR 1*	YEAR 2	YEAR 3
B1	Number of candidates recruited	Interviews, average	240	480	480
B2	Hours saved per candidate in interview cycle	Interviews, average	7	7	7
B3	Hourly cost of senior recruiting staff	Industry average	\$55	\$55	\$55
B4	Annual savings, recruitment process	(B1*B2)*B3	\$92,400	\$184,800	\$184,800
B5	Number of employees onboarded	Interviews, average	79	158	158
B6	Hours saved per onboarded employee	Interviews, average	5	5	5
B7	Hourly cost of senior HR staff	Industry average	\$55	\$55	\$55
B8	Annual savings, onboarding process	(B5*B6)*B7	\$21,725	\$43,450	\$43,450
Bt	Recruiting and Onboarding benefits	B4+B8	\$114,125	\$228,250	\$228,250
	Risk adjustment	↓10%			
Btr	Recruiting and Onboarding benefits (risk-adjusted)	Bt-10%	\$102,713	\$205,425	\$205,425

Note: * Benefits begin in the middle of Year 1 – one-half year of benefits.

Performance, Goals, and Compensation Benefits

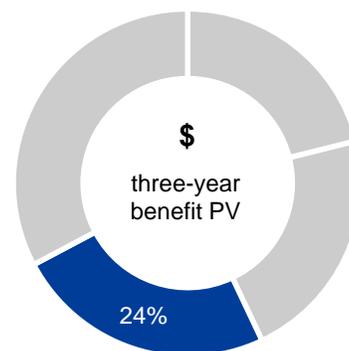
According to interviewed medium-sized customers, the SAP SuccessFactors Performance, Goals, and Compensation solutions (sold separately) offer the following benefits:

- › Greater goal alignment throughout the medium-sized *Organization*, ensuring that each employee is aligned with the cascading business/organizational goals.
- › Continuously improving workforce performance, through ongoing coaching and feedback to accurately evaluate and recognize top talent.
- › Compensation programs aligned with business objectives.
- › Faster execution of the performance appraisal process.
- › Easily and objectively recognize and reward top performers.
- › Reduced employee turnover.

Previous to investing in SAP SuccessFactors, the annual and ongoing performance, goals, and compensation processes were highly manual (spreadsheet files) with lots of time and effort being spent by all employees, especially human resources staff and managers.

Modeling and assumptions. The medium-sized *Organization* phased in the Performance, Goals, and Compensation solutions in the second half of Year 1. The medium-sized *Organization's* HR staff could save 750 hours per year (only 375 hours in Year 1 due to change management and learning curves). Across the medium-sized *Organization*, each of 110 managers was able to save 35 hours per year or 3,850 total hours (only 1,925 hours in Year 1 due to change management and learning curves). These time savings are compared to previous manual processes.

Risks. To be conservative, the benefits have been risk-adjusted (reduced) by 10% in the table below. This yielded a three-year risk-adjusted total PV of \$462,756.



Performance, Goals, and Compensation benefits — 24% of total benefits

Performance, Goals, And Compensation Benefits: Calculation Table

REF.	METRIC	CALC./SOURCE	YEAR 1*	YEAR 2	YEAR 3
C1	HR staff labor savings	Hours	375	750	750
C2	Hourly cost of senior HR staff	Interviews	\$55	\$55	\$55
C3	Total HR staff labor savings	C1*C2	\$20,625	\$41,250	\$41,250
C4	Managers' labor hours saved utilizing Performance, Goals, and Compensation	Hours	1,925	3,850	3,850
C5	Hourly cost of managers	Interviews	\$55	\$55	\$55
C6	Total managers' labor savings	C4*C5	\$105,875	\$211,750	\$211,750
Ct	Performance, Goals, and Compensation benefits	C3+C6	\$126,500	\$253,000	\$253,000
	Risk adjustment	↓10%			
Ctr	Performance, Goals and Compensation benefits (risk-adjusted)	Ct-10%	\$113,850	\$227,700	\$227,700

Note: * Benefits begin in the middle of Year 1 – one-half year of benefits.

Learning, Succession, and Development Benefits

According to interviewed customers, the SAP SuccessFactors Learning, Succession, and Development solutions (sold separately) offer the following benefits:

- › Personalized learning plans with deadlines and priorities assigned to individual employees based on assignment profile, i.e., position, organizational tenure, location, language, etc.
- › Improved business agility through development and strategic succession planning — fill critical positions quickly by identifying and retaining valuable employees and promoting leadership continuity.
- › Less time required to manage succession processes with calibration tools — remove bias from the succession planning process.
- › Increased employee population transparency through greater insight into business needs and workforce skills.
- › Provide employees the opportunity for structured training programs.
- › Provide anytime, anywhere training so employees can learn about new products and regulations within or outside of normal work hours.
- › Build programs that attract and retain qualified individuals and support business growth.
- › Certification tracking for regulatory and compliance purposes.
- › Electronic signature, versioning, randomization of exam questions.

Modeling and assumptions. The Learning, Succession, and Development solutions were activated at the beginning of Year 2; therefore, benefits start in Year 2.

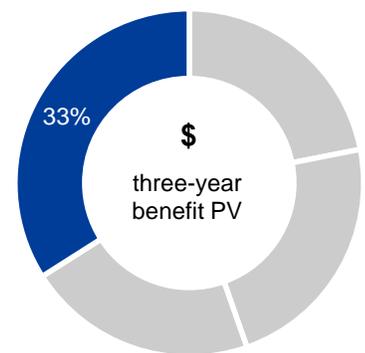
“SAP SuccessFactors was adopted quickly by our employees, and they really like the increased engagement they have with colleagues and managers.”

*Head of human resources,
outsourcing provider*



- › **Benefits of managing employee learning plans:** The medium-sized *Organization* was able to personalize learning plans for all 1,200 employees. The plans included due dates and priorities assigned to individual employees based on assignment profile, i.e., position, organizational tenure, building, language, etc. Compared to the pre-SAP SuccessFactors environment, the medium-sized *Organization* is saving two FTEs beginning in Year 2 (development administrators).
- › **Compliance tracking benefits:** According to SAP SuccessFactors, its cloud offerings meet the latest compliance and security standards. In addition, by using the Learning and Development solutions, the medium-sized *Organization* is now able to track employee qualifications and certifications for purposes of adhering to and complying with regulatory bodies such as: FDA compliance, SOX (Sarbanes-Oxley Act), OSHA compliance (Occupational Safety and Health Administration), AGG (General Equal Treatment Act), or GMP regulations (Good Manufacturing Practice). Compared to the highly manual pre-SAP SuccessFactors environment, the medium-sized *Organization* is saving one FTE beginning in Year 2 (compliance administrators).
- › **Succession planning benefits:** Interviewed customers told Forrester that previous to SAP SuccessFactors, it took a great deal of time and effort to track succession planning activities — and the data was always stale. When key employees departed our 1,200-person medium-sized *Organization*, it was a total manual effort to find a qualified successor. With the SAP SuccessFactors Succession solution, there's a database that can be queried at any time to find potential successors, identify levels of readiness, and visually see the overall qualifications of succession candidates. Compared to the pre-SAP SuccessFactors environment, the medium-sized *Organization* is saving one FTE in years 2 and 3 by automating the succession planning process.

Risks. Forrester considered the following potential risks when assigning a risk adjustment. The labor savings have been risk-adjusted (reduced) by 10% in the table below because some interviewed customers were not taking advantage of all the functionality. Forrester adjusted this benefit downward by 10%, yielding a three-year risk adjusted total PV of \$624,793.



Learning, Succession, and Development benefits — 33% of total benefits

Learning, Succession, and Development Benefits: Calculation Table

REF.	METRIC	CALC./SOURCE	YEAR 1	YEAR 2*	YEAR 3
D1	Labor savings, managing employees' learning plans	Interviews	0.0	2.0	2.0
D2	Labor savings, compliance tracking	Interviews	0.0	1.0	1.0
D3	Labor savings, automation of succession planning process	Interviews	0.0	1.0	1.0
D4	Average fully loaded cost of internal labor	Interviews	\$110,000	\$110,000	\$110,000
Dt	Learning, Succession, and Development benefits	$(D1+D2+D3)*D4$	\$0	\$440,000	\$440,000
	Risk adjustment	↓10%			
Dtr	Learning, Succession, and Development benefits (risk-adjusted)	Dt-10%	\$0	\$396,000	\$396,000

Note: * The Learning, Succession, and Development solutions were activated at the beginning of Year 2; therefore, benefits start in Year 2.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are scenarios in which a customer might choose to implement SAP SuccessFactors's solutions and later realize additional uses and business opportunities. No single interviewed medium-sized customer was using all of SAP SuccessFactors's solutions. Since there is value in all the SAP SuccessFactors solutions, current and future customers should consider including the features and functionality of additional solutions and initiatives such as the following:

- › Time and Attendance management – the ability to automate labor, time, and attendance management.
- › HR Analytics and Workforce planning – the ability to make better decisions about hiring, diversity, turnover, performance, etc. The embedded people analytics and data-driven workforce planning tools deliver real-time insights via intuitive dashboards.
- › SAP Jam – delivers social collaboration connecting customers, partners, and colleagues with information, applications, and processes to solve business-critical problems and to drive results.
- › Diversity and inclusion – SAP SuccessFactors solutions support the full range of talent decision-making processes, including decisions around whom to: hire, manage, develop, reward, and promote.
- › Total workforce management – bridge the gap between employees and external workers, and manage all talent under centralized capabilities, processes, and integrated solutions from SAP SuccessFactors and SAP Fieldglass.
- › Health and well-being – SAP SuccessFactors solutions help you to operationalize a culture of well-being and purpose in your organization to enrich the employee experience and drive peak performance.

The value of flexibility would be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

Total Costs Associated With SAP SuccessFactors

Costs Associated With SAP SuccessFactors - \$300,000 Partner Fee Example

REF	COST	CALC./ SOURCE	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PV
E1	Planning and deployment labor hours	Interviews	500	500	0	0	-	-
E2	Average cost per hour	Interviews	\$55.00	\$55.00	-	-	-	-
E3	Planning and deployment costs	E1*E2	\$27,500	\$27,500	0	0	\$55,000	-
E4	Professional service implementation fees	Variable	\$300,000	0	0	0	\$300,000	-
E5	Number of employees	Composite medium-sized Organization	0	1,200	1,200	1,200	-	-
E6	Annual SAP SuccessFactors subscription fees	SAP SuccessFactors	0	\$124,068	\$135,312	\$135,312	\$394,692	-
E7	SAP Preferred Success fees	SAP SuccessFactors	0	\$24,814	\$27,062	\$27,062	\$78,938	-
E8	Total SAP SuccessFactor Fees	E4+E6+E7	0	\$148,882	\$162,374	\$162,374	\$473,630	-
E9	Internal labor for ongoing administration and management	Interviews, FTEs	0	1.5	1.5	1.5	-	-
E10	Average fully loaded cost of internal labor	Interviews	0	\$90,000	\$90,000	\$90,000	-	-
E11	Labor for ongoing administration and management	E9*E10	0	\$135,000	\$135,000	\$135,000	\$405,000	-
Et	Total costs associated with SAP SuccessFactors	E3+E4+E8+E11	\$327,500	\$311,382	\$297,374	\$297,374	\$1,233,630	\$1,079,760
	Risk adjustment	↑5%	□					
Etr	Total costs associated with SAP SuccessFactors (risk-adjusted)		\$343,875	\$326,951	\$312,243	\$312,243	\$1,295,312	\$1,133,748

The total costs of SAP SuccessFactors are represented in the table above and are described as follows:

- › The internal labor associated with planning and deploying SAP SuccessFactors was 500 hours in the initial implementation year and 500 hours in Year 1, at a cost of \$55.00 per hour. The following roles were represented in the planning and deployment phase: performance management, recruiting and onboarding, business unit managers, project manager, and SAP developer. Total planning and deployment costs were \$55,000 (see row E3).
- › Incremental hardware, database and operating system license, and maintenance: \$0.* The medium-sized *Organization* incurred none of these costs with the SAP SuccessFactors cloud solution.
- › SAP SuccessFactors subscription fees for 1,200 employees totaled \$394,692 over three years (see row E6).
- › SAP Preferred Success services of \$78,938 over three years. These fees include SAP Preferred Care services, an add-on to SAP Enterprise Support cloud editions that includes strategic guidance and customer-specific best practices to help drive user adoption and value realization (see row E7).
- › Customer interviewees reported an average of 1.5 FTEs for ongoing administration and management of SAP SuccessFactors at a cost of \$135,000 per year or \$405,000 over three years. This includes ongoing labor to operate and maintain the integration points with other systems and applications, along with help desk support, training new users, and managing the relationship with SAP SuccessFactors (see row E11).
- › Partner fees for professional services implementation assistance - variable (see row E4).
 - Interviewed customers reported a wide variety of professional services implementation fees from SAP partners including a myriad of support levels including: software installation in a cloud environment, post-installation support, configuration setup, data conversion, analysis and modeling, testing, and training. See the table below for a range of fees and programs, and associated ROI, payback period and NPV levels.
 - Readers of this study should research SAP SuccessFactors' partners' fees for their own deployments and determine the appropriate financial results based on the table below.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the organization expects total risk-adjusted costs to be a PV of \$1,133,748.

Partner Implementation Fees - Variable Programs And Ranges

PARTNER IMPLEMENTATION FEES	PROGRAM	PAYROLL INCLUDED	RESULTING ROI	RESULTING PAYBACK	RESULTING NPV
\$75,000	Rapid package-deployment – single or few modules	No	113%	14 months	\$1,009,935
\$150,000	Rapid package-deployment – full suite	No	95%	15 months	\$931,185
\$300,000*	Rapid package-deployment – full suite	Yes	68%	18 months	\$773,685
\$400,000	Standard implementation – full suite	Yes	54%	20 months	\$668,685
\$500,000	Business process transformation – full suite	Yes	42%	21 months	\$563,685

*Example used in this case study.

Risks. Forrester risk-adjusted (increased) costs by 5% to reflect the uncertainty associated with pre-environment variables such as the extent to which medium-sized customers had already adopted human resources information system (HRIS) processes.

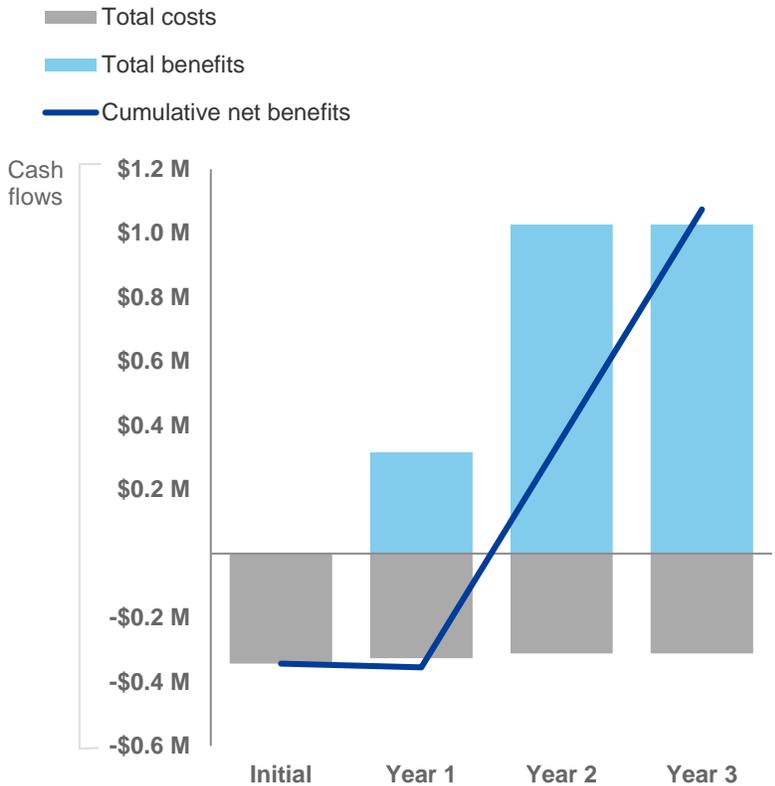
The medium-sized *Organization's* risk-adjusted costs for the SAP SuccessFactors are \$1,295,312 with a present value of \$1,133,748 when using the example of \$300,000 in partner fees for professional services implementation assistance.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$343,875)	(\$326,951)	(\$312,243)	(\$312,243)	(\$1,295,312)	(\$1,133,748)
Total benefits	\$0	\$315,563	\$1,027,125	\$1,027,125	\$2,369,813	\$1,907,433
Net benefits	(\$343,875)	(\$11,388)	\$714,882	\$714,882	\$1,074,501	\$773,685
ROI						68%
Payback period						18 months

The above excellent ROI and payback results deliver a compelling business case for SAP SuccessFactors, which should raise confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

Overview of SAP SuccessFactors

The following information is provided by SAP SuccessFactors. Forrester has not validated any claims and does not endorse SAP SuccessFactors or its offerings.

ABOUT SAP SUCCESSFACTORS

SAP SuccessFactors is the integrated, cloud-based HR software that helps organizations unleash the full potential of their people — and drive results right across the business.

SAP SuccessFactors cloud-based human resources software seamlessly integrates to create a complete HCM system. It can help organizations streamline global HR processes, improve its recruitment and retention game, train and reskill the workforce, and take advantage of technologies such as artificial intelligence (AI).

SAP SuccessFactors has more than 100 million active users in 60 industries more than 200 countries and territories — and its services are translated into 42 languages.

SAP SuccessFactors HMC Suite is comprised of the following solutions:

- › Core Human Resources and Payroll.
- › Time and Attendance management.
- › Learning and Development.
- › Performance and Compensation.
- › Recruiting and Onboarding.
- › Workforce Planning and Analytics.

SAP SuccessFactors also provides the following services:

- › SAP Model Company for Human Resources.
- › Support offerings including customer communities and support portal knowledge bases.
- › SAP SuccessFactors training and education.

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.